

Full Length Research

# Working Capital Management and Financial Performance of Technical Vocational Education and Training Institutions in Meru County, Kenya

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This study examined the effect of working capital management on financial performance of selected technical vocational education and training institutions in Meru County, Kenya. Working capital management's main goal was to ensure continued operations of the organization with sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. This implied that working capital management of working capital involves managing inventories, accounts receivable and payable and cash.

**Keywords:** cash conversion cycle period, accounts receivable period, accounts payable period and inventory turnover period and financial performance of TVETs

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## INTRODUCTION

Working capital is the capital that a company needs in order to run its operations, i.e. the that is, short-term financing of the company. Proper management of working capital levels help companies ensure provision of sufficient company profits since working capital does not earn interest, for example capital tied up in inventories (Abdulazeez, Baba, Fatima & Abdulrahman, 2018). Working capital contrasts with the long-term financial decisions since it only deals with the short-term financing issues. For example, decisions concerning credit levels to clients as well as credit levels/periods the company should negotiate from suppliers. Working capital management is the management of the short-term investment and financing of any organization. It is a category of resources that includes cash, inventory and receivables, minus what a company owes in the short terms (Adamu, 2016). Working capital comes straight from the statement of financial position (previously referred to as balance sheet) of the firm, and it is often calculated according to the formula: Working capital = Current Assets – Current Liabilities or Inventories + Accounts receivables – Accounts payables – Advances received = Working capital.

According to Enekwe (2015) defined working capital as the excess of current assets over current liabilities. This definition actually brought together the basic tenets of working capital (current assets and current liabilities). There is a consensus among scholars with respect to the definition of working capital which is an amount of money available to finance the organization's short term debt obligation. The availability of this short term fund is a function of excess of current assets over current liabilities. The suggested study will endeavour to establish the effect of working capital management in Kenya and specifically, Meru County.

### **Liquidity Theory**

Liquidity Theory is thought to be relevant for this study in order to understand the effect of cash conversion period on financial performance of technical and vocational education and training in Meru County, Kenya, hence it gives theoretical background for this study. The study will be guided by liquidity theory (Donaldson & Preston, 1995). According to the studies, liquidity theory as a function of current assets and current liabilities is an important factor in determining working capital policies and indicates firm's capability of generating cash in case of need. Current ratio, acid-test and cash ratios as traditional measures of liquidity are incompetent because these balance sheet-based measures cannot provide detailed and accurate information about effectiveness of working capital management. Formulas used for calculating these ratios consider both liquid and operating assets in common. Besides, mentioned traditional ratios are also not meaningful in terms of cash flows (Jensen, 2001).

According to Jensen (2001) he insisted on using ongoing liquidity measures in working capital management. Ongoing liquidity refers to the inflows and outflows of cash through the firm as the product acquisition, production, sales, payments and collection process take place over time. As the firm's ongoing liquidity is a function of its cash conversion cycle, it would be more appropriate and accurate for this study to evaluate effectiveness of working capital management by cash conversion cycle, rather than traditional liquidity measures (Donaldson & Preston, 1995). This theory will therefore go a long way in enabling the researcher carry out the exercise from data collection to drawing the analysis for the study in an accurate and with a future impact to other researchers.

### **Financing Advantage Theory**

Financing advantage theory is thought to be relevant for this study in order to understand the effect of accounts payable period on financial performance of technical and vocational education and training in Meru County, Kenya, hence it gives theoretical background for this study. In the business set up where a firm transacts with the suppliers and buyers to accentuate the level of working capital management and make it optimal, a supplier due to the relationship created in the transactions, may have advantage over traditional business partners in investigating the credit worthiness of his clients, as well as a better ability to monitor and force repayment of the credit (Donaldson & Preston, 1995). This will give a number of several cost advantages over other firms in offering credit to the buyer in several ways. The buyer has a huge chance of getting inside information as he is able to visit the premises of the sellers which gives him a very big discretionary assessment of the business. The buyer's inability to take advantage of early payment discounts may serve as a tripwire to alert the supplier of deterioration in the buyer's creditworthiness (Jensen, 2001).

The firm has also another discretionary power of controlling the buyer by threatening to reduce credit opportunities in future or withdrawing it altogether (Donaldson & Preston, 1995). This tight control will make the buyer pay up or switch to another seller with more friendly credit terms as he envisages. This threat may especially be credible if the buyer accounts for a small portion of the firms' sales. But by contrast a financial institution may have more limited powers, as the threat to withdraw future finance may have little immediate effect on the borrowers' operations as they may have many choices for financing, for instance other financial institutions (Jensen, 2001).

### **Stakeholder Theory**

This theory will be relevant to this study in order to understand the effect of accounts receivable period on financial performance of technical and vocational education and training in Meru County, Kenya. The stakeholder theory highlights the relevance of the symbiotic association of firm and various stakeholders, the creditors for instance, provides source of finance to the firm and in exchange expects repayment of their loans on schedule (Jensen, 2001). The stockholders supply the firm's capital and in return expects a maximized risk-adjusted return from their investment. Employees and manager help firms with required skills, time, as well as human capital requirements in exchange they anticipate good working condition, fair income and remunerations. Customers provide the source of revenue to the firms and in exchange expect to have value for money and satisfactory services. Suppliers are input providers to the firm, and hence expect fair prices and dependable buyers (Keynes, 1936). Stakeholders normally differ with respect to their stake size in firms. The level of individual's stake depends on the extent of his exchange of relationship and commitments with the firm which is based on specific asset investments (Donaldson & Preston, 1995).

The stakeholder theory was advanced by Jensen (2001)) and presents a model describing what the corporation as a constellation of cooperative and competitive interests possessing intrinsic value. It establishes a framework for

examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals (Donaldson & Preston, 1995). The stakeholder theory is intended both to explain and to guide the structure and operation of the established corporation. Toward that end, it views the corporation as an organizational entity through which numerous and diverse participants accomplish multiple, and not always entirely congruent, purposes. The stakeholder theory argues that managers should make decision so as to incorporate the interest of all stakeholders in a firm (including not only financial claimants, but also employees, customers, communities, governmental official and under some interpretations the environment (Jensen & Meckling, 1976).

### **Baumol Model of Cash Management**

This theory will be relevant to this study in order to understand the effect of accounts receivable period on financial performance of technical and vocational education and training in Meru County, Kenya. Baumol model of cash management helps in determining a firm optimum cash balance under certainty. It is extensively used and highly useful for the purpose of stock and cash management. The Baumol model is based on the Economic Order Quantity (EOQ). The objective is to determine the optimal target cash balance (Keynes, 1936). Baumol made the following assumptions in his model; the firm is able to forecast its cash requirement with certainty and receive a specific amount on regular intervals; the firm's cash payments occur uniformly over a period of time that is; a steady rate of cash outflows; the opportunity cost of holding cash is known and does not change over time; cash holdings incur an opportunity cost in the form of opportunity foregone; the firm will incur the same transaction cost whenever it converts securities to cash; cash transactions incurs at a fixed and variable cost (Donaldson & Preston, 1995).

According to Schwartz (1974), the limitation of the Baumol model are as follows; assumes a constant disbursement rate; in reality cash outflows occur at different times, different due dates; assumes no cash is coming in and out on a frequent basis; no safety stock is allowed for reason being it only takes a short amount of time to sell marketable securities (Petersen & Rajan, 1997). According to Baumol (1952), the Baumol model assumes the cash manager invests excess funds in interest bearing securities and liquidates them to meet the firm's demand for cash. As investment returns increase, the opportunity cost of holding cash increases and the cash manager decreases cash balances. As transaction costs (cost of liquidating short-term investments) increase, the cash manager decreases the number of times he liquidates securities, leading to higher cash balances. Managing the cash - short-term investments mix involves determining the optimal frequency for replenishing cash and the amount of securities to liquidate (Bastos & Pindado, 2007).

### **Cash Conversion Period**

Studies by Wambia and Jagongo (2020), in Istanbul Turkey, registered a significant and negative relationship between CCC, and return on assets (ROA) and return on equity (ROE). However, the study observed a positive relationship between return on assets (ROA) and firm size while there is a negative and significant relationship between debt ratio (DEBT) and return on assets (ROA). Whereas this study done in Istanbul Turkey has generated information on the relationship between CCC and firm performance, there is paucity of information of such relation especially in-service provision sector like tertiary institutions locally in Kenya hence, the gap this variable proposes to fill. According to Yator (2018) cash conversion circle has nonlinear significant effect on Gross Profit Margin and Earnings before interest and tax margin, whereas, among its components, only accounts payable days has significant effect on gross profit margin and earnings before interest and tax margin.

However, the study established a negative no relationship between return on assets cash conversion circle and returns on assets. Whereas this study, done in Omani and looked at the relations of cash conversion circle and commercial listed firms, there are limited studies locally in Kenya done on the public good service sector to establish the relationship between cash conversion circle from the perspective of tertiary institutions: a gap this study will endeavor to fill. According to Kiprotich (2017), study of the listed firms in Vietnam stock market covering 2006 to 2008 and on the effect of CCC on profitability revealed that cash conversion cycle had a negative effect on profitability. They propose that when CCC increases, it affect firms profitability by reducing it. As such the managers could create a positive value for the shareholders by handling the adequate cash conversion cycle and keeping each different component to an optimum level (Macharia, 2017).

### **Accounts Receivable Collection Period**

Accounts receivable management is a critical component for the company or organization to achieve its financial dreams (Mbula, Memba & Njeru, 2016). This argument is further augmented by Ahmet (2012) who states that even the most financially sound company can go under if the component of account receivables is not handled with care. Therefore, they urged organizations to put in place a sound policy on account receivable period if they have to remain financially viable in achieving their vision, mission and objectives. The proposed study will therefore endeavor to establish the effect of account receivables on the financial wellbeing of the TVET institutions in Meru County. Accounts receivable are those customers who have not yet paid for goods or services which the firm has supplied. The accounts receivable is done to reduce the time laps between completion of sales and receiving payment. Accounts receivables can be seen as short-term loans to customers given by the supplying firm. Giving these credit terms to customers are an important way of securing sales (Macharia, 2017).

According to Mesut and Kevser (2020) opines that companies can sometimes use their receivables as collateral for borrowing money. She continues by saying that the level of accounts receivable also affects several important financial-performance measures, including WC, days payable, the current ratio, and others. Firms should also operate a cash discount policy in order to attract customers who will opt to enjoy the benefits that entice them to pay in advance thereby shortening the average collection period of the firm. According to Mbula et al. (2016) explored the association between efficiency ratios and the profitability, stock market value and operational cash flow of 215 non-financial firms listed on Italian Stock Exchange. It was found that there is highly significant association between measures of profitability related to operating activities, such as earnings before interest, taxes, depreciation, and amortization to asset ratio, and proxies of efficiency, such as total asset turnover ratio, inventory turnover ratio and accounts receivable turnover ratio (Le, Vu, Du & Tran, 2018). However these efficiency ratios showed a weak association with profitability measures such as ROA and ROE. A strong association was found between measures of cash flow and efficiency ratios such as total asset turnover and account receivables turnover. However the efficiency measures did not have significant association with stock market value (Mesut & Kevser, 2020).

### **Accounts Payable Payment Period**

According to Mutai and Osoro (2021) study found that lease option had positively affected the profit of the SME's as did a similar examination in Bangladesh on the performance of Medium enterprises SMEs. The investigation on the Bond to Total Debt Ratio on Firms' Performance and found an insignificant relationship between the bond-to-total debt ratio and firm performance. Several researchers have tested the effects of profitability on firm leverage. According to Mesut and Kevser (2020), they found weak to no influence, debt was positively and strongly associated with financial performance and significant negative relationship between debt ratio and financial performance, respectively, as measured by profitability.

Another similar study by Mutai and Osoro (2021), revealed a negative and insignificant relationship between Short term debt to total assets and Long term debt to total assets, and ROA and profit margin. In their study they stated that there the suitability of management of the credit portfolio in Nigerian Banks had a positive relationship with financial performance. The study looked at the performance of banks in respect to the management of bad loans and concluded that managers have a duty in managing credit portfolios. Whereas the study was based in the relationship between accounts receivables and financial management in banks, the proposed study will more look into the effect of such relationships but in the education sector in Kenya and Meru County in specific (Nandom & Mubarik, 2017).

### **Inventory Turnover Period**

Efficient inventory management practices involve knowing how much should be ordered and when should it be ordered. This relates to determining the economic order quantity and analysis of the costs of maintaining certain levels of inventory (Mesut & Kevser, 2020). The costs involved in inventory management are those of holding too much stock and those of holding too little, hence the need to put in place an effective inventory management system to ensure reliable sales forecasts to be used in inventory ordering purposes. Maintaining optimal inventory levels reduces the cost of possible interruptions or loss of business due to the scarcity of products, reduces supply costs and protects against price fluctuations (Mutai & Osoro, 2021). The time taken to convert inventory held into sales is known as Inventory Conversion Period and is used as a proxy for inventory management policy. Inventory Conversion Period is calculated

as inventory divided by cost of sales multiplied by 365 days (Zainudin, Ibrahim, Hussain & Hadi 2017a).

According to Nandom and Mubarik (2017), they researched about Inventory management and its effect on Financial Performance of Firms which are provided funds by the Government Venture Capital in the country. Most of the firms which are provided funds by government venture capital have proper practices that enhance working capital management. However, a lot has to be done in Kenya on the management of working capital especially in the management of accounts which are overdue as well as review and adherence to sound credit management policies. The research suggests that more studies should be done on firms which have a firm size that is extended. This can also be integrated in other components of working capital management such as accounts payable and working capital levels that the current study emphasizes. A strong positive relationship was established between inventory and financial performance of small businesses in Nigeria (Mesut & Kevser, 2020). The current study is based on 31 supermarkets based in Nairobi County they found contradicting evidence with the management of inventories in Kenya.

### **Financial Performance of TVETs**

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Odhiambo, 2016). The term is also used as a general measure of a firm's overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggression. She continues quipping that financial performance can be measured by the rate of return on investment. The firm's performance encompasses three specific areas which include accounting measures, market measures and some firms use both of them. According to Yilmaza and Goksel (2019), stated that accounting measurement is the computation of economic/financial activities in terms of money, hours and other units or a measurable element that is used to compare and evaluate accounting data. He further said that the different accounting measurements provide a better view of the overall health of the firm by allowing varying methods of comparison and evaluation.

According to Ross, Westerfield and Jordan (2016), Most investors and analysts tend to focus on financial performance indicators such as return on asset, return on equity, return on sales, and the retained earnings ratio related to equity in measuring the sustainable growth but also looking at these following other potential indicators for companies success such as: advertising expenditures, research and development, cash conversion cycle, and earnings volatility. Many studies conducted on performance of corporate institutions, most of them were concentrated on financial performance impact on different entities. Whereas these studies have recorded information on the effect of accounts payable and profitability of firms, the proposed study will more look into the financial performance from educational service providers' perspective. According to Subhi (2017) studied Nigerian firms and the results suggested a significant correlation between cash management and performance of manufacturing companies.

### **Research Methodology**

This study used a descriptive research design given that the design too helped the study to make both arithmetical and evocative statistics that was used in gaging the connection among the variables to be studied thus producing arithmetical data. According to Bryman and Bell (2015) states that a research design is a strategy that a study can adopt to data collection which can generate answers to a research problem.

### **Cash Conversion Period on performance of TVETs**

When the respondents were asked whether they agree that there days stock outstanding is affecting the performance of TVETs in Meru County towards better performance. Majority 31(48.8%) of the respondents agreed, while 14 (22.6%) of the respondents were neutral, also 11 (17.1%) of the respondents strongly agreed, a few 8 (12.4%) of the respondents strongly disagreed and finally 6 (9.1%) of the respondents disagreed. When the respondents were asked whether they agreement that the days sales outstanding gives them ability and willingness to make Cash conversion period processes, Majority 21 (33.1%) of the respondents indicated they strongly agree, also 21 (32.8%) of the respondents indicated they agree, while 11 (18.1%) of the respondents indicated they disagree, a few 8 (12.5%) of the respondents indicated they strongly disagree and the remaining 2 (3.5%) of the respondents indicated they were neutral. The also researcher asked the respondents to show their level of agreement about their days payable

outstanding is doing good, Majority 22 (35.1%) of the respondents agreed, while 17 (27.4%) of the respondents strongly agreed, also 11 (17.1%) of the respondents disagreed, a few 9 (14.8%) of the respondents strongly disagreed and the remaining 4 (5.6%) of the respondents were neutral. .

When the researcher also asked the respondents to show their level of agreement regarding the commitment of all financial management in Meru county, Majority 20 (31.7%) of the respondents strongly agreed, also 16 (25.1%) of the respondents agreed, further 15 (23.8%) of the respondents disagreed, a few 9 (13.6%) of the respondents strongly disagreed, and finally 4 (5.8%) of the respondents were neutral respectively. When the researcher asked the respondents to show in their own opinion whether they agree that the Cash conversion period can have an effect on performance of TVETs in Meru County, Kenya, Majority 37 (59 %) of the respondents indicated that Cash conversion period were the main constraints to most of TVETs colleges poor performance by ticking Yes, while the remaining 26 (41%) of the respondents indicated No. When asked to explain most 47 (73.9%) of the respondents indicated that Cash conversion period being the main cause of poor performance but also there is need to have an expertise in the area of Cash conversion period management so as to drive the implementation process hence continuous improvement True North. The rest 16 (26.1%) of the respondents abstain from explaining.

**Table 1.** Cash Conversion Period on Performance of TVETs

| Statements  | % | SA   | A    | N    | D    | SD   | 3.1.2 |
|---|---|------|------|------|------|------|-------|
| Do you agree there is enough days stock outstanding   | % | 48.8 | 17.1 | 12.6 | 9.1  | 12.4 |       |
| Are you in agreement that days sale outstanding giving them ability and willingness to make Cash conversion period processes. | % | 33.1 | 32.8 | 18.1 | 12.5 | 3.5  |       |
| Are you in agreement those days' payable outstanding framework systems.   | % | 35.1 | 27.4 | 17.1 | 14.8 | 5.6  |       |
| Are you in agreement that there is effect on performance  | % | 31.7 | 25.1 | 23.8 | 13.6 | 5.8  |       |

### Accounts Receivables Collection Period on Performance of TVETs

When the respondents were asked whether they were in agreement that average days delinquent can result to better performance of TVETs in Meru County, Majority 30 (48.1%) of the respondents strongly agreed, also 22 (35.4%) of the respondents agreed, a few 6 (9%) of the respondents disagreed, further 4 (6%) of the respondents were neutral and the remaining 1 (1.5%) of the respondents strongly disagreed. When asked whether they are in agreement that there are collection effectiveness index on performance have identified accounts receivables collection period options while emphasizing better performance towards continuous improvement, Majority 32 (51.2%) of the respondents strongly agreed, while 19 (30.8%) of the respondents agreed, a few 5 (7.9%) of the respondents were neutral, further 3 (4.1%) of the respondents disagreed and the remaining 4 (6%) of the respondents strongly disagreed. This echoes the finding of Mutai and Osoro (2021) who observed that performance is key for any investment. When the research also asked the respondents to indicate their level of agreement whether their percentage current account receivable can leading to the most promising performance in their future endeavors in TVETs in Meru county, Majority 27 (42.5%) of the respondents strongly agreed, while 20 (32.2%) of the respondents agreed, few 6 (9.1%) of the respondents were neutral, further 5 (8.5%) of the respondents strongly disagreed and the remaining 5 (7.8%) of the respondents disagreed. The researcher further asked the respondents to show their level of agreement as to whether their collections are good leading to endeavors of achieving the best accounts receivables collection period goals for future growth, Majority 24 (38.3%) of the respondents indicated that they agreed, while 20 (32.1%) of the respondents indicated that they agree, a few 8

(12.3%) of the respondents indicated neutral, further 7 (9.7%) of the respondents indicated they strongly disagreed and the remaining 5 (7.6%) of the respondents disagreed.

Further when the researcher asked the respondents about their own opinion on whether accounts receivables collection period can have an effect on the performance of TVETs in Meru County, Kenya, most 71.2% of the respondents were in agreement ticking Yes. While 28.8% of the respondents ticked No. When asked if Yes, they explain 71.2% of the respondents were of the opinion that accounts receivables collection period is not the only tool to measure the performance in TVETs colleges but there are indicators which can also impressed the level of performance such as good customer service, online services and modern technology towards better accounts receivables collection period towards achieving more returns on investment hence customer satisfaction.

**Table 2.** Accounts Receivables Collection Period on performance of TVETs

| Statements   |   | SA   | A    | N    | D   | SD  |
|--|---|------|------|------|-----|-----|
| Are you in agreement that days average delinquent can result to better performance Of TVETs in Meru County.  | % | 48.1 | 35.4 | 9    | 6   | 1.5 |
| Are you in agreement that better performance of TVETs in Meru County is because of accounts receivables collection period options                    | % | 65.2 | 30.8 | 7.9  | 4.1 | 6   |
| Are you in agreement that percentage of current account receivables can lead to the most promising performance in future to all TVETs in Meru County | % | 42.5 | 32.2 | 9.1  | 8.5 | 7.8 |
| Are you in agreement that TVETs are endeavoring to achieve the best performance  | % | 58.3 | 32.1 | 12.3 | 9.7 | 7.6 |

### Accounts Payable Payment Periods on Performance of TVETs

When the respondents were asked whether they agree that invoice processing time on accounts payable payment periods have clearly solved the objective of performance of TVETs in Meru County, Kenya, Majority 35 (54.8%) of the respondents agreed, while 8 (13.2%) of the respondents strongly agreed, a few 9 (14.7%) of the respondents were neutral, further 8 (12%) of the respondents disagreed and the remaining 3 (5.3%) of the respondents strongly disagreed. The researcher also asked the respondents whether they agree that their school has the best peer recognition has enhanced performance of TVETs in Meru County, Kenya, Majority 20 (32.3%) of the respondents strongly agreed, while 18 (28%) of the respondents were neutral, a few 10 (16.1%) of the respondents disagreed, further 10 (15.7%) of the respondents agreed and the remaining 5 (7.9%) of the respondents strongly disagreed. This is in line with the findings of Mutai and Osoro (2021)

When the researcher also asked the respondents to indicate their level of agreement as to whether their invoicing exception rate was embracing better performance in Meru County, Majority 27 (42.7%) of the respondents agreed, while 17 (27.3%) of the respondents were neutral, further 16 (26%) of the respondents strongly agreed, also 2 (3.1%) of the respondents disagreed and the remaining 1 (0.9%) of the respondents disagreed. Finally When the respondents were asked to indicate whether their level of agreement whether their average approval time on accounts payable payment period in Meru county has improved performance for all TVTs in Meru County, Majority 32 (51.4%) of the respondents agreed, while 16 (26.1%) of the respondents were neutral, further 6 (9.6%) Of the respondents disagreed, also 5 (7.9%) of the respondents strongly disagreed and the remaining 3 (5%) of the respondents strongly agreed.

Further the researcher wanted the respondent to indicate whether accounts payable payment periods has an effect on performance of TVETs in Meru County, Kenya, Majority 74.2% of the respondents ticked Yes, while 25.8% of the respondents ticked No. The researcher requested who ticked Yes to explain why they agree that accounts payable payment periods has an impact on performance of TVETs in Meru County, Kenya, nearly 69.1% all the respondents who had ticked Yes explained precisely that accounts payable payment periods is the only driver towards childcare that can be impressed to improve performance of modern TVETs colleges by being pro-active in alternative scheduling. Only 6.1% of the respondents abstained from explaining even though they have ticked yes.

**Table 3.** Accounts Payable Payment Periods on performance of TVETs

| Statements  |   | SA   | A    | N    | D    | SD  |
|---|---|------|------|------|------|-----|
| Are you in agreement that invoice processing time can clearly articulated objectives of accounts payable payment periods? | % | 54.8 | 13.2 | 14.7 | 12   | 5.3 |
| Are you in agreement that invoice exception rate can lead to performance of TVETs in Meru County                          | % | 32.3 | 28   | 16.1 | 15.7 | 7.9 |
| Are you in agreement that average approval time is resulting to better performance  | % | 42.7 | 27.3 | 26   | 3.1  | 0.9 |
| Are you in agreement that improving accounts payable payment period can lead to performance of TVETs in Meru County.      | % | 51.4 | 26.1 | 9.6  | 7.9  | 5   |

### Inventory Turnover Period on Performance of TVETs

From table 1.4. below, the respondents concurred that sales costs can clearly articulated the need for better performance of TVETs in Meru County. Most of the respondents gave a mean (M) of 3.831 and a standard deviation (SD) of .7106 respectively; when the respondents were asked whether they are in agreement that their receiving costs can lead to long term achievement of goals in the TVETs colleges, most of the respondents gave a mean (M) of 3.472 and a standard deviation (SD) of .7843 respectively; also when the respondents were asked whether they are in agreement that their TVETs had clear operational costs, most of the respondents gave a mean (M) of 4.381 and a standard deviation (SD) of .7066 respectively; further when the respondents were asked whether they were in agreement that their TVETs always endeavors to improve their balanced financial constraints to both internal and external client leading to performance of TVETs in Meru County, Kenya, hence high performance. Majority of the respondents gave a mean (M) of 4.028 and standard deviation (SD) of .6723 respectively; the respondents also were requested to state their level of agreement regarding their own opinion in relation to inventory turnover period on performance of TVETs in Meru County, Kenya. majority of the respondents gave Yes response which is equivalent to mean (M) of 4.201 and a standard deviation (SD) of .8203 respectively; when the respondents were asked if they gave Yes they explain majority of the respondents gave a mean (M) of 4.003 and a standard deviation (SD) of .8013 respectively. These findings concur with Wambani (2016) that the goal of inventory turnover period was to improve performance of TVETs in Meru County, Kenya. This is in line with the finding of Kothari (2011). It is essential for inventory turnover period managers to comprehend the provisions of policies to be enhanced towards performance of TVETs in Meru County, Kenya.



**Table 4.** Inventory Turnover Period on Performance of TVETs

| <b>Statement</b>   | <b>Mean</b> | <b>Std. Dev.</b> |
|--|-------------|------------------|
| Are you in agreement that their sales costs can lead to good inventory turnover period and better performance                | 3.831       | .7106            |
| Are you in agreement that receiving costs can enhance inventory costs and better performance in TVETs colleges               | 3.472       | .7843            |
| Are you in agreement that your college performance can improve through inventory turnover                                    | 4.380       | .7066            |
| Are you in agreement that your operational costs can lead to better performance of TVETs in Meru County.                     | 4.028       | .6723            |
| In your own opinion do you agree that inventory turnover period has an effect on performance of TVETs in Meru County, Kenya. | 4.0218      | .8203            |
| When the respondents were asked to explain Their response was;   | 4.203       | .8013            |

### Performance of TVETs

These results are in table 1.5 below: when the respondents were asked whether in their TVETs college they have parent's satisfaction on performance of TVETs in Meru County. Majority of the respondents gave a mean (M) of 3.186 and a standard deviation (SD) of 0.7311 respectively; also when the respondents were asked whether they are in agreement that KNEC better results have a good return on performance of TVETs in Meru County, Majority of the respondents gave a mean (M) of 3.814 and a standard deviation of (SD) of 0.7134 respectively; further when the respondents were asked whether they agree that their student's enrolment are as results of performance of TVETs in Meru County, most of the respondents responded with a mean (M) of 4.147 and a standard deviation (SD) of 0.5972 respectively; when the respondents were asked whether they are in agreement that their college have a good motivation style on performance of TVETs in Meru County, most of the respondents gave a mean (M) of 4.101 and a standard deviation (SD) of 0.7611 respectively; finally when the respondents were asked in their level of opinion whether they are in agreement that performance can be embraced by college policy, most of the respondents ticked Yes with a mean (M) of 3.671 and a standard deviation (SD) of 0.8133 respectively; further when the respondents who ticked Yes were requested to justify their response, and majority of the respondents gave a mean (M) of 4.168 and a standard deviation (SD) of .6920 respectively.

These findings are in line with the finding of Jones Osasuyi and Mwakipsile (2017), who contended that it is critical to monitor performance of TVETs in Meru County at regular intervals so as to guarantee parents satisfaction and continuous improvement in the TVETs institutions hence, more return on enrollment. These include recognizing the importance of employee motivations in the area of performance of TVETs in Meru County, also to implement the True North of TVETs in Meru County.

**Table 5.** Performance of TVETs

| Statement   | Mean  | Std. Dev. |
|---|-------|-----------|
| Are you in agreement that their net profit margin is embracing good performance of TVETs in Meru County           | 3.186 | .7311     |
| Are in agreement that their return on investment can give good performance to all TVETs in Meru County.           | 3.814 | .7034     |
| Are you in agreement that their operational cash flow can be the cause of non-performance of TVETs in Meru County | 4.147 | .5972     |
| Are you in agreement that performance of TVETs in Meru County is being affected                                   | 4.101 | .7601     |
| In your own opinion performance can be enhanced by financial management   | 3.671 | .8133     |
| When the respondents were requested to explain if they indicated Yes  | 4.168 | .6921     |

### Regression Analysis

To establish the degree of effect of employee motivation for a regression analysis was conducted, with the postulation that: variables are normally dispersed to avoid distortion of associations and significance tests, which was achieved as outliers were not identified; a linear relationship among the independent and dependent variables for accurateness of approximation, which was attained as the standardized coefficients were used in clarification. The expression of multiple regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Performance of all TVETs =  $\beta_1$  (Cash conversion period) +  $\beta_2$  (accounts receivables collection period) +  $\beta_3$  (accounts payable payment periods) +  $\beta_4$  (inventory turnover period) + error term.

Regression analysis produced the coefficient of purpose and analysis of variance (ANOVA). Analysis of variance was completed to show whether there is a significant mean variance among dependent and independent variables. The ANOVA was conducted at 95% confidence level.

### Model of Goodness Fit

Regression analysis was used to create the strengths of relationship among the performance of TVETs in Meru County (dependent variable) and the predicting variables; Cash conversion period, accounts receivables collection period, accounts payable payment periods and inventory turnover period (independent variables). The results showed a correlation value (R) of 0.729 which shows that there is a good linear dependence between the independent and dependent variables. These findings concur with the findings of Mutai and Osoro (2021). This is in line with the findings of Kothari, (2014), who observed that this also depicted the significance of the regression analysis done at 95% confidence level. This implies that the multiple regression model was important and can thus be used to assess the relationship among the dependent and independent variables. This echoes the findings of Musah (2018), who detected that analysis of variance statistics scrutinizes the differences among group means and their related procedures.

**Table 6.** Model Goodness of Fit

| R     | R <sup>2</sup> | Adjusted R | Std. Error of the Estimate |
|-------|----------------|------------|----------------------------|
| 0.729 | 0.789          | 0.739      | 0.068                      |

With an R-squared of 0.789, the model shows that Cash conversion period, accounts receivables collection period, accounts payable payment periods and inventory turnover period can boast up to 78.9% of the differences on performance of TVETs in Meru County while 21.1% is explained by other indicators which are not inclusive in this study or model. A measure of goodness of fit synopsis the discrepancy between observed values and the values anticipated under the model in question. This finding is in line with the findings Mutai and Osoro (2021)

## CONCLUSION

Manifestly, this study concludes that human resource management has ostensibly impacted on the performance of TVETs in Meru County, Kenya. The findings realized that college lectures should endeavor to embrace the best motivations that are aimed at propelling their school systems with a view to satisfy their customers, increase productivity and overall enhance their profitability. Hence, when TVETs deployed financial management occasioned through Cash conversion period, accounts receivables collection period, accounts payable payment periods and human resource performance of all of TVETs in Meru County. By TVETs in Meru County, Kenya, embracing accounts receivables collection period, it benefited from promoting the best human resource options and identified viable processes that ensured proper allocation of resource allocation and fulfilment of the set goals, hence ensuring that TVETs college leveraged their performance. Therefore, this study concludes that TVETs in Meru County, Kenya experienced a significant increase in growth, through embracing all the objectives in this study

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